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TAGS: [ECON](#) [EFIN](#) [EG](#)
SUBJECT: WIDESPREAD OPPOSITION TO BANQUE DU CAIRE SALE

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REF: Cairo 2307

Summary

1. (U) Recent press reports claimed that the GOE had postponed indefinitely the selection of a sale advisor for Banque du Caire, due to public opposition to the sale. Central Bank officials denied these reports, and indicated that an advisor would be selected by the end of the month. Opposition parties across the spectrum have vocally opposed the sale, as have grassroots organizations, such as "The Popular Movement to Counter the Sale of Egypt." Independent members of parliament tied to the Muslim Brotherhood have also petitioned to re-open debate in parliament on the sale.

False Reports

2. (U) On August 16 Deputy CBE Governor Tarek Amer denied press reports that the Central Bank had postponed indefinitely selection of a sale advisor for privatization of the Banque du Caire. An advisor was supposed to be chosen by early August, and several financial institutions, including Citibank, have already submitted bids for the job. The committee to select the sale advisor - comprised of the Central Bank, and the ministries of Finance and Investment - has yet to meet. Amer told econoff that the CBE was waiting for a Prime Ministerial decree to form the committee, which is slated to happen by the end of the month.

Strong Opposition

3. (U) The press reports alleging postponement of the sale advisor selection cited a "source close to the operations," who said that the Central Bank postponed selection of the sale advisor due to widespread opposition to the sale. The source indicated that the Central Bank will wait for opposition to die down before taking any further steps in the sale. Political parties across the spectrum have vocally opposed the sale and criticized handling of parliamentary debate on the sale. Mahmoud Abaza, Chairman of the Wafd party, started a petition against the sale. He also wrote to several newspapers clarifying that the Wafd party is not opposed to the sale per se, but wants greater transparency and more shares sold to the public in an IPO. Abaza also stressed that foreign entities should not be allowed to control the banking system. In support of

the Wafd petition, the Lawyers' Syndicate launched a campaign to raise funds to buy shares of the bank should they be offered for sale in an IPO. The leftist Tagammu party held a protest August 3 in which approximately 200 party members and supporters attempted to march to Talaat Harb Square in downtown Cairo. Security services prevented the demonstrators from leaving the area in front of the party's headquarters.

14. (U) Independent members of parliament tied to the Muslim Brotherhood (MB) have also called for a new parliamentary debate on the sale. The independent members asked the speaker of parliament to investigate irregularities during the meeting of the Economic Committee to discuss the sale (reftel) and demanded another meeting to re-open the discussion. The memo also called for an investigation of Ahmed Ezz, Chairman of the Planning and Budget Committee, who allowed "unauthorized" individuals into the Economic Committee meeting.

15. (U) Popular opposition to the sale of Banque du Caire, and privatization in general, has coalesced around Yehia Abdel Hadi's "Populist Movement for Countering the Sale of Egypt." Abdel Hadi told the press that the organization includes members from opposition parties, the MB, intellectuals and economists, labor union members, and NGOs, including the entire Kefaya organization. The movement tracks the outcome of privatization deals and prepares reports on those who benefited from the deals. According to Abdel Hadi, the movement will also provide legal assistance to employees of public companies disadvantages by privatization.

Comment

Comment

16. (SBU) Much of the opposition appears focused on the specter of foreign control of the economy, which conjures very negative images for Egyptians. While Egypt became nominally independent in 1922, Britain still controlled the economy long after that, primarily through the banking system. Despite opposition to the sale, it is unlikely that the Central Bank will change the course it has set. While the sales advisor was to be selected by end-July, many viewed that target date as overly optimistic. The "surprise approach" used in the Banque du Caire case, in contrast to the considerable public notice given of the Bank of Alexandria sale, is contributing to the public outcry. The flip side of the surprise approach is that once the public outcry dies down, the overall process should ultimately be faster, because some of the preparation has already been done. For example, Banque du Caire's portfolio of non-performing loans (NPLs) was transferred to Banque Misr in advance of the announcement. Revenue from the sale of Banque du Caire will be needed to pay off the NPLs. A cancellation or significant delay in the sale would cause serious problems for the GOE, as Banque Misr, a larger and more important public bank, would be left in an extremely precarious position, with NPLs beyond its capacity to settle.
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